



# *Your Retirement Plan*

A Member Handbook for Michigan's  
Public School Employees

**About the Office of Retirement Services**

The Office of Retirement Services (ORS) administers retirement programs for Michigan's state and public school employees, judges, and state police. Our vision is to provide fast, easy access to complete and accurate information and exceptional service for our more than half million members.

**About This Publication**

The intent of this publication is to summarize basic plan provisions. Should there be discrepancies between this publication and the actual law, the provisions of the law govern.

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**A Member Handbook for Michigan's  
Public School Employees**

May 2004



Office of Retirement Services  
State of Michigan

# Contents

<b>I. About Your Retirement Plan</b>	<b>6</b>
<b>II. Administration of the Plan</b>	<b>7</b>
<i>Public Act 300 – Your Retirement Plan Law</i>	7
<i>The Basic Plan and the Member Investment Plan</i>	8
<i>Who Is a Member?</i>	9
<b>III. Contributing to the Plan</b>	<b>13</b>
<i>Who Contributes What</i>	13
<b>IV. General Plan Provisions</b>	<b>15</b>
<i>Qualifying for Your Pension</i>	15
<i>How Much Will You Get?</i>	19
<i>Obtaining Credit for Service</i>	23
<b>V. Your Contribution Account</b>	<b>27</b>
<i>About Your Account</i>	27
<i>Your Annual Member Statement</i>	29
<i>Attend a Preretirement Seminar</i>	30
<i>When to Contact ORS</i>	31
<i>Leaving Public School Employment</i>	32

## Contents

### **VI. Additional Benefits for You and Your Dependents 36**

*If You Become Disabled* 36

*Your Group Insurance Benefits* 37

*Upon Your Death* 39

### **VII. We're Here to Help 42**

**Your Responsibilities 43**

**Other ORS Publications 44**

**Appendix A 45**

**Appendix B: MIP-Basic Plan Comparison 46**

# I.

## About Your Retirement Plan

As a member of Michigan's Public School Employees Retirement System, you are eligible for one of the best public pensions around. Because it is so essential to plan for your retirement early in life, this handbook aims to give you enough general information about your pension so that—between your pension, social security, and personal savings—your retirement is all you hope it will be.

Besides some general history about the system and its administration, this book explains how and when you will qualify for a pension and how your pension will be calculated. It includes tips for enhancing your retirement by purchasing service credit. You'll also find information you'll need if you leave public school employment, as well as an overview of the plan's disability protection, insurance, and survivor benefits.

This publication is general in nature. We encourage you to take a look at our other publications and the ORS website if you're seeking more specific information on a particular topic.

## II. Administration of the Plan

### ***Public Act 300 – Your Retirement Plan Law***

The operation of Public School Employees Retirement System is controlled by the Michigan Public School Employees Retirement Act (Public Act 300 of 1980), as amended. Any changes to the Act require passage by the Michigan Legislature.

The plan is administered by the Office of Retirement Services—ORS—with the oversight of a 12-member board. One board member represents state government; the remaining members are appointed by the governor to represent active and retired public school employees.



Throughout your working career, your employer takes care of your pension plan deductions, wage and service records, and plan contributions. Regular reports are sent to ORS to become part of your personal pension record. When it's time to retire, your employer hands off all your final records to ORS, and we become your partner in retirement.





contributory  
plan

noncontributory  
plan

Basic Plan

Member  
Investment Plan  
(MIP)

## ***The Basic Plan and the Member Investment Plan***

Until 1974, both employers and employees contributed to the pension fund. It was then a **contributory plan**. By 1977 the system was funded entirely through employer contributions—a **noncontributory plan** known as the **Basic Plan**.

In late 1986 the **Member Investment Plan (MIP)** was introduced. This contributory plan provides more generous pension benefit options. Those who were Basic Plan members at the time could choose the MIP, which took effect January 1, 1987. Basic Plan members again had the opportunity to select the MIP in the fall of 1991.

The majority of our members today are in the Member Investment Plan. For the most part, this publication describes that plan, not the Basic Plan. The exceptions, mostly related to contribution rates and pension calculations, are noted. You can compare the key differences between the two plans by referring to Appendix B: MIP and Basic Plan Comparison.





## Who Is a Member?

You become a member and begin accruing credit toward a pension on the first day you work in a participating Michigan educational institution. Members include the following:

- Employees of K-12 public school districts.
- Employees of intermediate school districts.
- Employees of district libraries.
- Employees of some public school academies.
- Employees of tax-supported community colleges.
- Certain employees who became employed before January 1, 1996, by one of these seven universities: Central, Eastern, Northern, and Western Michigan Universities, Ferris State and Lake Superior State Universities, and Michigan Technological University.

*Note:* When you see the terms *members* and *schools* throughout this handbook, we are referring to the employees and employers described above who participate in the Public School Employees Retirement System.



### **Exceptions to membership.**

The following employees are not members of the Public School Employees Retirement System:

- A person who has retired from the system and is receiving a pension (even if he or she returns to public school employment).
- A person employed by a public school while enrolled as a full-time student in that system.
- A person under the age of 19 employed in a temporary, intermittent, or irregular seasonal or athletic position, whether a student or not.
- A full-time instructor or administrator of a community college or eligible university who elected an optional retirement plan (such as TIAA/CREF) offered under Public Act 156 of 1967, as amended.
- A new employee of a library or museum hired after it separated from the school district.
- A person who is working in the public school system only through a program resulting from the Federal Work Force Investment Act of 1998; Michigan Community Service Corps (Public Act 259 of 1983); Senior Community Service Employment Program (Public Law 89-73); or Work First Program. *Note:* Administrators of any of these programs who were previously members of the retirement system, and who remain in the employ of the school, may retain membership in the retirement system.

- An employee enrolled in a transitional public employment program.
- A person enrolled in a federally-funded neighborhood youth corps program or similar training program operated by an intermediate school district to prevent or rehabilitate high school dropouts.



- A person who is working for the school for the sole purpose of a political election.
- A person working in a public school who is contracted by an outside company, rather than hired directly by the school.
- A person working in a public school who is self-employed as an independent contractor.



active member

deferred  
member

vesting  
retiree

## You may be active, deferred, or retired.

Participants in the retirement system are classified in one of the following categories:

- **Active Member.** You are on the payroll of one of the participating Michigan public school systems described in this section. You remain an active member while laid off or on a leave of absence as long as an employee-employer relationship exists.
- **Deferred Member.** You leave public school employment after you are vested but before you're old enough to draw your pension. You are **vested** for your pension—meaning you have sufficient service to qualify for a benefit but don't yet meet the age requirement—when you have the equivalent of 10 years of full-time employment. You remain in deferred status, as long as your contributions remain on account, until you apply for your pension at age 60 and become a retiree.
- **Retiree.** You are receiving a pension (disability or retirement) from the retirement system.





# III.

## Contributing to the Plan

The retirement system is funded by contributions of public school employers and employees, and by the investment earnings on these contributions. All contributions are a funding source for pensions and do not result in individual benefits in addition to the pension.

### ***Who Contributes What Employer contributions.***

Each year an actuary determines how much the public schools need to contribute to fund their portion of member benefits. These contributions are not refundable to you or your employer.

### ***Your contributions.***

As a MIP participant, you also contribute a percentage of your salary to the pension reserve fund. Your contribution rate depends on when you enrolled in the MIP plan.

- If you: (1) elected the MIP before January 1, 1990; or (2) were a Basic Plan participant who enrolled in the MIP by January 1, 1993, you contribute 3.9 percent of your pretax salary.
- If you: (1) are a new member who began Michigan public school employment January 1, 1990, or later; or (2) are a returning member who did not work between January 1, 1987, and December 31, 1989, you contribute pretax contributions based on the following chart:

Compensation (annual school fiscal year earned compensation)	Personal MIP Contribution
\$5,000 or less	3% of compensation (up to \$150 total)
\$5,000 to \$15,000	\$150, plus 3.6% of compensation between \$5,000 and \$15,000 (up to \$510 total)
Over \$15,000	\$510, plus 4.3% of compensation over \$15,000

As you can see, if you've been part of the retirement system over time, different contribution rules and rates may apply. In addition to your MIP contributions, you might have other personal contributions, from earnings before July 1, 1977, or from purchased service credit, on account. Though all contributions by members and employers go into the reserve fund used to pay all monthly pensions, we keep a contribution account for each individual member. This is explained more fully in Section V – Your Contribution Account.





## IV. General Plan Provisions

As a vested member of the Public School Employees Retirement System, you can look forward to a monthly retirement pension benefit for your lifetime. This section explains when you'll be eligible, how to estimate the amount of your pension, your different payment options, and some general information on how service credit is earned and purchased. For more complete details about your retirement benefit, ask for the ORS publication *Retirement Readiness: A Two-Year Countdown*.

### ***Qualifying for Your Pension***

To be eligible for a monthly retirement pension, you must meet minimum age and service requirements.

#### **Full Retirement – MIP Member.**

As a MIP member, you will qualify for ***full retirement*** under any of the following provisions:

- ***MIP 46 with 30.*** You qualify for full retirement at any age with at least 30 years of service. However, if you have purchased universal buy-in service credit, you must be at least age 46. At least 15 years of service credit must have been earned through the Michigan Public School Employees Retirement System.



*full retirement*

- **MIP 60 with 10.** You are eligible for your pension at age 60 with at least 10 years of service credit.
- **MIP 60 with 5.** If you are age 60 and you have at least 5 years of service credit, you qualify for a pension if at least 0.1 years of service credit (102 hours) have been earned in each of the five school fiscal years immediately before your retirement effective date and you terminated your public school service immediately before your retirement effective date.

### **Full Retirement – Basic Member.**

As a Basic Plan member, you qualify for a full retirement under the following retirement provisions:

- **Basic 55 with 30.** You qualify for your pension when you are at least age 55 and have 30 or more years of service credit. At least 15 years of service credit must have been earned through the Michigan Public School Employees Retirement System.
- **Basic 60 with 10.** You qualify for a pension at age 60 with at least 10 years of service credit.

A school  
fiscal year  
runs from  
July 1  
through  
June 30.

## Early Reduced Retirement – MIP and Basic Members.

Whether you are a MIP or Basic Plan member, you can take an **early reduced retirement** as early as age 55 if you have at least 15 but less than 30 years of service. Your pension amount is permanently reduced by one-half of one percent for each month you take your pension before age 60 (6 percent per year).

You must be an active member to be eligible for the early reduced benefit. If you are a deferred member you don't qualify for the early reduced pension.

To retire under the early reduced provision, you must meet all of the following conditions:



- You worked through your 55th birthday (an exception may apply if you were born in a summer month).
- You have at least 15 but fewer than 30 years of service credit, with at least 10 years of service credit earned under this system.
- You earned at least 0.1 year of service credit (102 hours) in each of the 5 school fiscal years immediately before your retirement effective date. The fiscal year in which you are retiring counts in the 5 years.



*early reduced  
retirement*

- You terminated Michigan public school service immediately before your retirement effective date.

If you're thinking about an early reduced retirement, we suggest you check with ORS before you terminate employment to be sure you qualify.



### **If you become disabled.**

There are special eligibility and calculation provisions for those who become disabled while a public school employee. This is explained more fully in Section VI – Additional Benefits for You and Your Dependents, and in the ORS publication *If You Become Disabled: Your Disability Protection*.



## How Much Will You Get?

### The pension formula.

Your annual benefit is based on a formula that multiplies your final average compensation times a pension factor of 1.5 percent times your years of service.

**The Pension Formula**

$$\text{FAC} \times 1.5\% \times \text{YOS}$$

Final Average Compensation      Pension Factor      Years Of Service

Dividing the annual benefit by 12 will tell you how much your monthly benefit will be if you elect the *straight life option*, but you may choose a *survivor option* or an *equated plan* for your pension payments.

It is important that you understand all of these concepts, because they have a direct effect on your pension amount. We briefly explain each one below:

- **Final average compensation (FAC).** For MIP members, the highest three consecutive years of earnings (36 months) are averaged to determine your final average compensation, or FAC. If you are a Basic Plan member, your highest five consecutive years of earnings (60 months) are averaged to determine your FAC.



*final average  
compensation  
(FAC)*



*years of service  
(YOS)*

*straight life  
option*

*survivor options*

*Note:* Your highest three or five consecutive years of earnings may have occurred earlier in your career. Even though we may use those years rather than your final years to calculate your benefit, we still refer to it as your final average compensation.

- ***Years of service (YOS).*** Your service credit reflects the years, or fractions of years, you have worked for a Michigan public school. In general, you earn one year of service when you work 1,020 hours in a school fiscal year. No more than 30 hours can be credited in a one-week period. Credited service can also include any additional service purchased or transferred as described later in this section.
- ***Straight life option.*** If you choose this payment option, you receive the maximum monthly benefit payable throughout your lifetime, and no benefits (pension or insurance) are paid to your survivors after your death.
- ***Survivor options.*** These options pay you less but continue monthly pension payments as well as health, dental, and vision insurance coverage to your beneficiary (spouse, sibling, parent, or child) if you die. You elect either the 100, 75, or 50 percent survivor option; your survivor then receives the same monthly benefit you received, 75 percent, or half of your benefit amount. The monthly pension amount is based on actuarial tables that factor in life expectancies for you and your beneficiary.

Try our online benefit  
estimator at  
[www.michigan.gov/ors](http://www.michigan.gov/ors)





*equated plan*

- **Equated plan.** This plan pays you a higher pension until you are age 62, and then your monthly pension is permanently reduced based on the amount of your estimated social security benefit. Members might choose to receive this equated plan “advance” on their pension if they want their total income to remain fairly level both before and after social security begins. The equated plan can be combined with a straight life or any of the survivor options.



### **Pension increases after you retire.**

As a MIP retiree, after you’ve been retired a full year, each October you’ll receive a fixed 3 percent increase in your monthly pension. This postretirement increase doesn’t compound, but it does accumulate. So each October, your retirement check will increase by 3 percent of your initial pension amount.

Basic Plan members do not receive postretirement increases. Instead, they may receive a supplemental payment in those years when the plan’s investment earnings exceed predictions.

### Let ORS do the math.

This booklet gives some very basic methods for figuring your pension. But the calculations can get complicated when you factor in possible beneficiaries, various payment options, or want to compare different retirement dates. We can help. Log on to the ORS website at [www.michigan.gov/ors](http://www.michigan.gov/ors) and navigate to the Public School Employees Retirement System benefit estimator. This handy online calculator lets you key in your age, wage, and service information, and quickly estimates your future monthly pension.



*eligible domestic  
relations order  
(EDRO)*

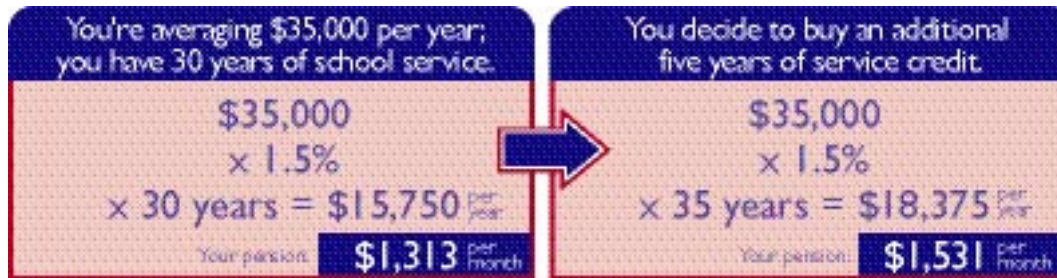
### A note about divorce.

If you divorce while an active or deferred member, the court may order that a portion of your pension be paid to an alternate payee such as your former spouse or dependent child. The order (generally, an **eligible domestic relations order**, or **EDRO**) must contain specific information in a specific format, and must be on file with ORS before to your retirement effective date. Details and sample language can be found in the ORS publication *Eligible Domestic Relations Orders*.

## Obtaining Credit for Service

Remember, your pension amount is based, in part, on your number of years of service as a public school employee. You should know that you might be able to count certain other employment in your service credit totals. The plan allows the *granting* of service credit; it allows the *purchase* of additional service credit; and it permits you to *reinstate* service from a prior period of Michigan public school employment by repaying, with interest, any contributions to the system you might have withdrawn when you terminated.

It's worth your while to explore transferring or purchasing additional service credit. Not only would added credit increase your pension, it could help you qualify at an earlier age.



Bear in mind that with few exceptions, purchased service isn't credited to you until you are vested, nor can you count it toward your ten-year (or five-year) minimum eligibility

requirement. And in most cases, your purchase must be completed before you leave public school service.

Because each type of service credit has its own limits and restrictions and costs, please use the following information only as a general overview.

### **Types of service credit.**

Review the following list to see what types of service credit you might be eligible for:

- Service credit may be granted (at no cost) while you are on leave for active duty military service or some weekly workers' compensation.
- You may be able to purchase or be credited for maternity, paternity, or child-rearing time; active duty military service; out-of-system public educational employment; nonpublic educational employment; state of Michigan Civil Service employment; weekly workers' compensation; or a sabbatical leave of absence.
- You can purchase universal buy-in (UBI) service credit, which is available to all Michigan Public School Employees Retirement System members.
- If you had a prior period of Michigan public school employment but then withdrew your contributions to the system when you left employment, you can ask to pay back the amount refunded to you, plus interest, to reinstate your prior service.

Most purchased service is not credited to you until you are vested.



### **The cost of service credit.**

The “price” of service credit depends on the type of credit as well as your age, rate of pay, and years of service. Generally, the older you are, the higher the cost. To estimate the cost of a service credit purchase, refer to the ORS website or ask for *Enhancing Your Pension: Earning and Purchasing Service Credit*.

When you apply for additional service credit, ORS checks your eligibility and determines if the credit has a cost. If no cost, you’ll get a letter stating the service credit type and the amount of service (years and fractions thereof) being credited. If there is a cost, you’ll receive a *Member Billing Statement* that describes the total type and amount of service credit available for you to purchase. Though it’s called a “bill,” you have no obligation to purchase.

Your service  
credit  
purchase  
must be  
complete  
before  
you leave  
public school  
service.

### Three ways to purchase.

You can buy service credit in three ways:

- Direct payment (check or money order).
- Transfer or *roll over* funds from a qualified retirement plan such as a 401(a), 401(k), 403(b), 457, a qualified plan established with a previous employer, as well as a conduit IRA (individual retirement account). A traditional IRA is not eligible for this type of plan-to-plan transfer distribution.
- Sign up for the tax-deferred payment (TDP) program. Payments are deducted from your paychecks by your employer. Taxes on the amount withheld are deferred until you begin receiving your monthly pension payment.

### Find out more about service credit.

If you're interested in buying service credit, explore our website or ask ORS for *Enhancing Your Pension: Earning and Purchasing Service Credit*.

To learn more about buying service credit, go to the ORS website and explore the *Enhancing Your Pension* booklet.



## V. Your Contribution Account

In this section we explain how we maintain and report your account activity. It reminds you to keep us informed when your address or beneficiary changes, and describes your options if you leave the system before you're eligible for a pension.

### **About Your Account**

As introduced in Section III, if you've been part of the retirement system over time, different contribution rules and rates may apply. Though all member and employer contributions go into the reserve fund used to pay all monthly pensions, we keep a separate account of your contributions. We do this for a couple of reasons:

- **Taxability.** Contributions you make on a tax-deferred basis will become taxable when you receive payments. We need to be able to tell the IRS how much of your pension is taxable at retirement, and how much you've already paid taxes on.
- **Interest.** Personal contributions earn interest, and different rates apply depending on the type and time of the contribution. Ordinarily, this will only be important if you terminate employment and take a refund of contributions.

Personal contributions fund your pension plan. You cannot borrow or take a lump sum—unless you leave the system and forfeit your pension rights.

- **Refunds.** If you leave the retirement system before you're eligible for a pension, you can ask for a refund of your personal contributions, forfeiting all your rights to a monthly pension.

Because we keep detailed account balances and provide them to plan members, they often think that they'll get this amount over and above their calculated pension when they retire. This is not so. It is only when you leave the system before you're eligible for a pension that personal contributions could be refunded. This is explained later in this section, under Leaving Public School Employment.

### **More about your contribution account.**

As your employer forwards your MIP contributions to ORS, we credit your MIP account. At the close of each school fiscal year, we also credit you with interest on MIP contributions that have been on account for a full year. The interest rate on MIP contributions varies, because it is statutorily determined each year based on the rate of investment return.

If you have purchased service credit or have any post-tax contributions from years when the plan was contributory, you will have an **other employee contributions** account (OEC). These funds earn 6 percent interest after they have been on account for a full year. As with MIP accounts, interest is posted at the end of each school fiscal year.



*other employee  
contributions  
(OEC) account*



## ***Your Annual Member Statement***

Each year we send all active (working) members a *Member Statement of Account*. While the primary purpose of the statement is to help you plan for your retirement, it also gives you an update on your account balance and account activity through June 30 of the current year.

### **What's on your statement.**

The statement will list the wage, service, and contribution amounts reported by your employer(s) during the last fiscal school year, and tell you how much service credit you earned in the year—typically 1.0 year of credit if you worked all year, full-time. You'll also find your cumulative service credit total.

It will show your MIP contributions, interest, and balance, as well as any activity and interest on your OEC account, if you have one.

Your statement will reflect the person or persons you have named as your beneficiary, and may include other information, or news that affects your pension or retirement planning.

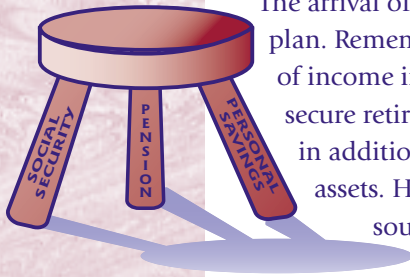
### **What to do with your statement.**

Review your annual statement carefully for accuracy. If you think there are errors in your wage, contribution, or service for the contribution period, ask your school payroll officer to send us the correction. ORS can assist with any cumulative totals

Review your  
statement  
carefully  
and save  
it with your  
important  
papers.

and interest questions. Verify that your address and beneficiary are correct; if not, be sure to send us a correction as explained later in this section under When to Contact ORS.

We also suggest that you keep your statements in a safe place so that you have a point of comparison when next year's statement arrives.



The arrival of your member statement is a good time to assess your overall retirement plan. Remember, your pension should not be your only—or even your primary—source of income in retirement. Financial planners will tell you that, like a 3-legged stool, a secure retirement depends on a balance of social security benefits and personal savings, in addition to your pension. After reviewing your statement, assess all your retirement assets. Have you estimated how much retirement income you will receive from all sources? Is your estimate between 60-80 percent of your preretirement income? Are you on target for your retirement goals?

### ***Attend a Preretirement Seminar***

Want some in-depth information about your plan? Attend one of our two-hour preretirement seminars, held throughout the state all year long. Seminar attendees who are closing in on retirement age say: “I wish I’d had this information earlier in my career—I’d have done a much better job of planning!” Your Intermediate School District (ISD) will let you know when we’ll be in your area, or you can check our schedule and sign up at the ORS website.

You can register  
to attend a  
preretirement  
seminar on the  
ORS website:  
[www.michigan.gov/ors](http://www.michigan.gov/ors)

## ***When to Contact ORS***

When you first enroll in the plan by becoming employed with a Michigan public school, your employer gives you a *Beneficiary Nomination* form. This is sent to ORS along with your address and personal information. It's very important that we know your beneficiary so that, should you die before you're eligible to receive your pension, your beneficiary receives either a payout of personal contributions or a monthly survivor benefit. You can obtain forms for reporting beneficiary changes from the ORS website or from your personnel office.

As noted earlier, your employer is responsible for sending us your wage, service, and contribution reports each pay period. If you believe there's an error after your employer has made corrections, or that your cumulative wage and service record is incorrect, contact us.

Of course, you should also contact ORS whenever you have a question about your retirement plan. You'll find the most current plan information on our website, but we also welcome your call or visit. Complete contact information is shown inside the back cover of this book. Consider attending one of our preretirement seminars, and also take a look at our other booklets listed under Other ORS Publications.

Be sure to  
keep your  
beneficiary  
information  
current with  
ORS.



## ***Leaving Public School Employment***

If you leave public school employment before you're old enough to draw your pension, you have two options. You can leave your personal contributions on account where they will continue earning interest, or you can ask for a refund of your personal contributions and interest. Your vesting status should be an important factor in your decision.

### **If you leave before you are vested.**

If you have less than 10 years of service when you terminate your school employment, you are not vested in the plan. However, you can still leave your contributions on deposit and accrue annual interest. If you later resume your membership in the system, your previous service credit and contributions will count toward your retirement eligibility.

You can also choose to have your personal contributions and interest refunded, either when you terminate or at a later time.

### **If you are vested you can defer your pension.**

If you are vested with 10 years of service when you leave public school employment, you can defer your pension until you reach the minimum age for a full retirement benefit. Of course, you must leave all of your personal contributions and interest on account, otherwise you would lose all corresponding service credit. Be sure to read





Section IV – General Plan Provisions, and Section VI – Additional Benefits for You and Your Dependents, to understand the consequences of taking a deferred retirement.

As a deferred member, you should take special care to keep ORS informed of your address and beneficiary wishes, because we will not be able to reach you through your employer. You should also be sure to apply for your pension as soon as you reach the age requirement for a full retirement benefit. Because there is no monetary advantage to waiting until after age 60, apply three to six months before your 60th birthday if you are in deferred status.

### **Refund of contributions.**

You also have the option, when you leave public school employment before you're eligible to receive a pension, to take a refund of personal contributions. You may do so if you are no longer employed by any Michigan public school, are not on a leave of absence, and have not satisfied the age and service requirements to immediately qualify for a pension.

The refund will include the balance of your personal contributions, any additional service credit purchases you have made, and all accumulated interest.

Be sure you understand the consequences of taking a refund of contributions, especially if you are vested when you leave public school employment.

Before requesting a refund, you should consider the following points, especially if you are vested in the plan.

- **All service credit is forfeited.** If you withdraw from the system and request a refund of contributions, all corresponding service credit is lost. You forfeit all future rights to a monthly pension and the insurance benefits that go along with it, for you and your beneficiary.
- **Reinstating service.** If you return to public school employment you'll start again with no service credit, unless you want to repay all of the withdrawn contribution and interest, plus any interest that would have been credited in the interim.
- **It's all or none.** You cannot request a partial refund—all personal contributions must be refunded with all corresponding service forfeited.
- **Taxes and potential penalties.** Any refund paid in a lump sum is subject to taxes—remember, your contributions were withheld from your salary on a tax-deferred basis. IRS requires that we hold 20 percent of the refund amount to be credited against your taxes; you will receive 80 percent. If you are under age 59½ when you take the refund, you



may also have to pay an additional 10 percent early withdrawal penalty. Talk to your tax advisor before you request a refund to see if you can use any special tax rules to reduce your tax liability.

- ***Consider a plan-to-plan transfer.*** You can roll over your refund into another qualified tax-deferred savings plan to avoid taxes and penalties. Again, you should talk to a tax advisor and confirm with your plan administrator to make sure IRS requirements are met.
- ***Other misperceptions about refunds.*** You cannot borrow from your personal contribution account. You cannot request a refund of any employer contributions. You cannot forfeit service performed during any noncontributory period—such service will remain on your record.

If, once you understand the ramifications, you wish to request a refund, ask ORS for a *Refund Application*. Return the form to ORS and we will either send you the account balance in a lump sum (less required tax withholding) or send the full amount as a transfer to your qualified retirement plan administrator, as you request.

You  
cannot  
borrow  
from your  
personal  
contributions.

## VI.

## Additional Benefits for You and Your Dependents

Besides your generous pension benefit, your plan includes disability protection and insurance eligibility in retirement. This section also explains what you (and your loved ones) can plan on should you die while active, deferred, or retired.

### ***If You Become Disabled***

If, while an active school employee, you become totally and permanently disabled (unable to perform duties for which you are trained, educated, or experienced), you may qualify for a disability retirement benefit.

#### **When your protection begins.**

If you become unable to work because of an injury or illness incurred at work, a **duty disability** benefit may be payable regardless of how long you have been employed within the retirement system. Your **nonduty disability** protection (from an illness or injury incurred outside of work) begins when you have the equivalent of 10 years public school employment.

In either case, you must apply for a disability benefit within 12 months after termination.



*duty disability*

*nonduty disability*





### **How disability benefits are calculated.**

Your annual disability benefit is calculated the same as a regular retirement—multiplying your final average compensation times your years of service times a factor of 1.5 percent. (If you were to select one of the survivor options described in Section IV, your benefit amount would be reduced.)

For more information about disability benefits, request the ORS publication *If You Become Disabled: Your Disability Protection*.

### **Your Group Insurance Benefits**

When you retire, you may enroll yourself and your eligible dependents in the plan's medical, dental, and vision insurance. Your eligible dependents include the following:

- Your spouse.
- Your unmarried children through the year in which they turn age 19.
- Your unmarried children through the year in which they turn age 25 if attending school full-time and dependent on you for support.
- Your unmarried children who became physically or mentally incapacitated before the age of 19 and who depend on you for support.
- Your parents and parents-in-law living in your household.







### **Subsidized premiums.**

If your pension is effective the first of the month after you terminate employment with a Michigan public school, you will go directly from active member status to retiree status. The retirement system pays a portion of the health, dental, and vision insurance premiums for you and your dependents. Your percentage of the cost will be deducted from your monthly pension. Once you are eligible for Medicare, Medicare becomes your primary insurance carrier and the retirement system pays a higher percentage of your health insurance premiums.

If you are a deferred member, the amount of the premium subsidy at retirement will depend on when you terminated your public school employment and how many years of credited service you have.

### **About long-term care insurance.**

Members and retirees have the option of enrolling in the group long-term care insurance program established with MetLife. If you wish to continue this insurance or enroll, it is entirely up to you. For information, contact MetLife at <http://stateofmichigan.metlife.com> or (800) 438-6388.

## Upon Your Death

Whether and what benefits are payable to your survivors depends, in part, on if your death occurs while you are active, deferred, or retired. In this section we provide some general guidelines so you can plan for your loved ones.

### If you die while an active member.

If your death is not a result of an injury or illness incurred at work, it is called a **nonduty death**. A monthly **survivor pension** may be payable to your beneficiary if you were vested with at least 10 years service (5 years if you were at least age 60). Basic Plan members must have at least 15 years of credited service if they are under age 60, or 10 years if they are at least age 60, for their survivors to be eligible for a survivor pension.



nonduty death  
survivor pension

Keep your  
beneficiary  
designation  
current,  
especially if you're  
not married  
and have  
no minor  
children.

Your spouse is automatically your survivor pension beneficiary. If you are not married, your minor children are automatically your beneficiaries until they reach age 18. If your spouse declines the pension benefit in writing on the *Beneficiary Nomination* form, you may designate any of the following eligible beneficiaries if they depend on you for at least 50 percent of their personal support: your child, your brother or sister, or your parent. You must have designated this person on the *Beneficiary Nomination* form, and the form must be on file with ORS at the time of your death. If you have no surviving spouse or children under 18, no continuing monthly benefit will be payable unless ORS has your beneficiary designation on file.



### *duty death*

If you die from a work-related injury or illness incurred during your public school employment, it is considered a ***duty death***. A monthly survivor pension may be payable, regardless of your age or years of service, if a weekly workers' compensation benefit is awarded based on your work-related injury or illness. Your surviving spouse is automatically your pension beneficiary. If you were not married, your minor children are your beneficiaries until they reach age 18. If you have no eligible children, a totally and permanently disabled parent who depends on you for more than 50 percent of his or her support is eligible for a duty death survivor pension.

The survivor benefit is payable beginning the month following your death, and is calculated as if you retired the day before you died and elected the 100 percent survivor option. Health, dental, and vision insurance coverage is also available to beneficiaries receiving a survivor pension.

If you die before retirement and no monthly survivor pension is payable, any personal contributions and interest in your account will be refunded to your beneficiary in a lump sum. If you haven't named a beneficiary, your contributions may be distributed by probate court order.

### **If you die as a deferred member.**

If you die while your retirement is in deferred status (that is, you left public school employment after vesting but before you're old enough to draw your pension), a monthly survivor pension will be payable to your eligible beneficiary provided (1) you have at least 10 years of service credit (15 years if you're a Basic Plan member); and (2) you filed a *Beneficiary Nomination* form with ORS before you terminated employment.



The deferred monthly survivor pension becomes payable beginning the month you would have otherwise become eligible to receive your pension; it is paid as if you had chosen the 100 percent survivor option.

If you die after leaving public school employment and before you have sufficient service to be vested in the plan, no survivor pension is payable. However, your survivors should still contact ORS to request a payout of any personal contribution funds on account.

### **If you die after you retire.**

A monthly pension, as well as continued insurance benefits, is payable only if you elected one of the survivor options when you applied for your pension. In addition, ongoing payments can only be made to the survivor pension beneficiary you named when you filed your retirement application.



## VII.

### We're Here to Help

We hope that this booklet answers questions you may have about your retirement plan. We also hope that you have a better understanding of the importance of preparing for retirement, including having savings goals and considering other ways to enhance your benefit.

Please don't hesitate to contact us if you have any questions. The ORS vision—to provide complete and accurate information and exceptional service—is one we take very seriously. Complete contact information can be found under At Your Service at the end of this booklet.





## YOUR RESPONSIBILITIES

- **Read this booklet. Share it with your loved ones, and put it with your important documents.**
- **Review and save the annual member statements issued by ORS describing your service totals and benefits.**
- **Let ORS know if you want to change your beneficiary.**
- **Map out your retirement goals, and monitor your plan throughout your lifetime. A secure retirement depends on a balance of your pension, personal savings, and social security.**

**Learn about the additional retirement topics listed under Other ORS Publications.**

## OTHER ORS PUBLICATIONS

The following publications are available on the ORS website, or you can email or phone ORS for a copy.

- ***Enhancing Your Pension: Earning and Purchasing Service Credit.*** For members who are interested in increasing their pension amount, or qualifying earlier, by adding to their service credit. The book includes details on the types of service credit available, how to apply, and different ways to pay.
- ***Retirement Readiness: A Two-Year Countdown.*** For plan members who are within a few years of retiring. This book contains specifics on how pensions are calculated, the various payment options, how to prepare for retirement, and the application process.
- ***After You Retire: What Every Pension Recipient Should Know.*** You will receive this booklet when you apply for your pension. It tells you what to expect, and how and when you should contact ORS after your retirement benefits begin.

Watch for *If You Become Disabled: Your Disability Protection* in the summer of 2004. A sixth publication, *Leaving Public School Employment: Effects on Your Pension*, is planned for early 2005. Watch the ORS website for details.

## APPENDIX A

RETIREMENT AT A GLANCE		
RETIREMENT TYPE	AGE & SERVICE REQUIREMENTS	STRAIGHT LIFE PENSION FORMULA
Full Retirement - MIP	Age 46 with 30 years of service. Age 60 with 10 years of service. Age 60 and working with 5 years of service.	$FAC \times 1.5\% \times YOS$
Full Retirement - Basic	Age 60 with 10 years of service. Age 55 with 30 years of service.	$FAC \times 1.5\% \times YOS$
Early Reduced (MIP & Basic)	Age 55 and working with at least 15 years but less than 30 years of service.	Straight life pension MINUS 1/2% for each month before age 60.
Duty Disability Duty Death	No age or service requirements.	Please contact our office.
Nonduty Disability MIP and Basic	Any age; 10 years of credited service.	$FAC \times 1.5\% \times YOS$
Nonduty Death - MIP	If under age 60, 10 years of credited service. If at least age 60, 5 years of credited service.	$FAC \times 1.5\% \times YOS$
Nonduty Death - Basic	If under age 60, 15 years of credited service. If at least age 60, 10 years of credited service.	$FAC \times 1.5\% \times YOS$

## APPENDIX B: MIP-BASIC PLAN COMPARISON

Until 1974, both employers and employees contributed to the pension fund. It was then a contributory plan. By 1977 the system was funded entirely through employer contributions—a noncontributory plan known as the Basic Plan.

In late 1986 the Member Investment Plan (MIP) was introduced. This contributory plan provides more generous pension benefit options. Those who were Basic Plan members at the time could choose the MIP, which took effect January 1, 1987. Basic plan members again had the opportunity to select the MIP in the fall of 1991.

Public school employees newly hired after January 1, 1990, are in the Member Investment Plan. The most notable differences between the two plans are found in the opposite chart.



COMPARISON	MEMBER INVESTMENT PLAN	BASIC PLAN
MEMBERSHIP	Employees first hired on or after January 1, 1990.  Employees who elected MIP during enrollment periods.	Employees who did not elect the MIP plan during the MIP enrollment periods.
CONTRIBUTIONS	Yes	No
ELIGIBILITY	46 with 30  60 with 10  60 with 5 (with stipulations)  55 with 15 (with stipulations)	55 with 30  60 with 10  55 with 15 (with stipulations)
FAC PERIOD	36 months	60 months
COST OF ACTUARIAL-BASED SERVICE CREDIT	Actuarial Cost Table	Actuarial Cost Table less 4%
VESTING	10 years  5 years if retiring under the 60 with 5 provision.	10 years









# AT YOUR SERVICE



[www.michigan.gov/ors](http://www.michigan.gov/ors)



[ORSCustomerService@michigan.gov](mailto:ORSCustomerService@michigan.gov)



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(800) 381-5111  
Within Lansing (517) 322-5103



**Main Office - Lansing**  
Walk-ins welcome  
8:30 - 5:00

General Office Building  
Corner of Harris Drive and Ricks Road  
*From I-96, take Exit 98 A-South Lansing Road and head north on Canal Road. ORS is in the 3-story brick building bordered by Canal Road, Ricks Road, Harris Drive, and Billwood Highway.*



**Outreach Office - Detroit**  
Phone (313) 456-4010 for appointment

Cadillac Place  
3068 W. Grand Blvd., Suite 4-700  
*From I-75, take Exit 54-Clay Ave/E Grand Blvd. Head west on East Grand Boulevard for about 3/4 mile to Cadillac Place.*



*From I-94, take northbound US-10 (Lodge Freeway) to W Grand Blvd exit. Proceed east 3 blocks on West Grand Boulevard to Cadillac Place.*



**Office of Retirement Services**

**P.O. Box 30171**

**Lansing, MI 48909-7671**